

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 SS-15 L-03 NSC-05 IO-10

EUR-12 /069 W

----- 045314

R 090957Z OCT 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 2547

C O N F I D E N T I A L BANGKOK 21389

E.O. 11652: GDS

TAGS:EAIR, TH

SUBJECT: CIVAIR: ROUTE AND FARE ISSUES

REF: A) BANGKOK 18838 B) BANGKOK 13481 C) BANGKOK 16025

1. THE THAI CIVIL AVIATION POT IS BOILING AGAIN, WITH POSSIBLE IMPLICATIONS FOR U.S. AIRLINE AND AIRCRAFT MANUFACTURING INTERESTS.

MAIN ELEMENTS ARE THESE:

A. THE BRITISH, CONCERNED ABOUT TICKET DISCOUNTING BY AIR SIAM ON THE BANGKOK-HONG KONG SECTOR, TO THE DETRIMENT OF CATHAY PACIFIC, ARE PRESSING THE RTG TO REDUCE SHARPLY SCHEDULED CAPACITY BY THAI INTERNATIONAL AND AIR SIAM TO AND THROUGH HONG KONG;

B. THE RTG, HOPING TO PROTECT THAI INTER'S SCHEDULES, IS SEEKING AS AN ALTERNATIVE TO (A) ABOVE, HMG AGREEMENT TO NEW BANGKOK-HONG KONG FARE, TO BE APPROVED BY HMG, AND TO BE ENFORCED ON AIR SIAM BY THE RTG. BRITISH HAVE TO DATE HELD OUT FOR CAPACITY CUTS, BUT FURTHER RTG-HMG TALKS ARE SCHEDULED FOR THIRD WEEK IN OCTOBER. RTG HOPES TO PUBLISH PROPOSED FARE AT ABOUT SAME TIME.

C. IN SEPTEMBER, ACCORDING THAI INTER SPOKESMAN, AIRLINE APPLIED FOR IATA CLEARING HOUSE MEMBERSHIP, BUT WAS BLACK-BALLED BY AIR SIAM, OTHER 82 MEMBERS VOTING TO ACCEPT THAI INTER. ACCORDING RTG OFFICIAL, THAI INTER APPLIED FOR IATA

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MEMBERSHIP IN ORDER JUSTIFY CHARGING IATA RATES ON BANGKOK-

HONG KONG WITHOUT HAVING TO TAKE OVERT ACTION TO SET RATE PER PARA B, ABOVE. AIR SIAM VP SAID COMPANY VETOED THAI INTER'S IATA APPLICATION BECAUSE (1) THAI INTER REFUSES TO ACCEPT AIR SIAM'S AT FACE VALUE--THESE TICKETS ARE HEAVILY DISCOUNTED AND ARE PROBABLY NOT ACCEPTED BY ANY OTHER AIRLINE--AND, (2) THAI INTER HAS BLOCKED AIR SIAM'S ROUTE EXPANSION PLANS.

D. AIR SIAM ANNOUNCED OCT. 8 THAT ITS A-300 AIRBUS WILL BE RETURNED TO AIR BUS INDUSTRIES (AI) OCT. 16, GIVING AS REASON INABILITY SECURE ADDITIONAL ROUTES ON WHICH TO FLY IT, AND FOR WHICH PURPOSE IT HAD IN FACT BEEN LEASED. THIS WILL REDUCE AIR SIAM FLEET TO ONE 747 AND ONE DC-10. IN ADDITION, PRESUMABLY FOR REASONS OF "FACE", AIR SIAM OFFICIALS HAVE FOR SOME WEEKS BAD-MOUTHED THE AIRBUS A-300 FOR ALLEGED EXTENDED PERIODS OF DOWNTIME, BUT EVEN THEY AGREE WITH GENERAL INDUSTRY VIEW THAT THE A-300 WAS NOT ECONOMICALLY VIABLE ON BANGKOK-HONG KONG SECTOR. U.S. SOURCES CLOSE TO SITUATION INSIST THAT, TECHNICALLY, AIRCRAFT HAS PERFORMED ADMIRABLY, AND ALLEGE THAT AI IS REPOSSESSING AIRCRAFT BECAUSE (1) AIR SIAM HAS NOT PAID LARGE SUM DUE ON LEASE AND (2) AIR SIAM HAS BACKED AWAY FROM DECLARED INTENTION TO PURCHASE NEW B-4 MODEL. AIR SIAM HAD LEASED A-300 ORIGINALLY AT CONCESSIONAL RATE--SAID TO BE \$70,000 PER MONTH--AND AI HAD PROVIDED SPARES AND AEVERTISING AS PART OF PROMOTION OF AIRBUS IN ASIA. PURCHASE OF AIRBUS BY KOREAN AIR LINES (KAL) HAS, OF COURSE, OBIATED THIS PROMOTIONAL ROLE FOR AIR SIAM AS FAR AS AI IS CONCERNED.

E. AIR SIAM ANNOUNCED OCT. 9 THAT ON RELEASE OF A-300, AIR SIAM WILL MAINTAIN EXISTING SCHEDULES BY ACQUISITION OF SECOND DC-10 FROM MCDONNELL DOUGLAS. HOWEVER, ACCORDING TO INDUSTRY AND RTG SOURCES, AIR SIAM IS ALSO FACED WITH LOSS OF LEASED 747, WHICH MUST BE RETURNED TO AER LINGUS NEXT APRIL, AND IS THEREFORE SEEKING TWO NEW AIRCRAFT, PROBABLY 747'S, AND HAS APPROACHED NATIONAL, IN MIAMI, ABOUT POSSIBLE LEASES.

2. INTERWOVEN IN FOREGOING IS STRUGGLE BETWEEN AIR SIAM AND THAI INTER FOR ROUTE RIGHTS. AIR SIAM'S OCT. 9 STATE-CONFIDENTIAL

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MENT POINTS OUT THAT AIRLINE HAS SOUGHT WITHOUT SUCCESS TO SECURE ROUTES TO SEOUL, GUAM, AND SINGAPORE. THAI INTER SPOKESMAN REPLIED THAT IT HAD PRIOR APPLICATIONS FOR RIGHTS TO SEOUL AND TO GUAM VIA MANILA, AND SAID FAILURE TO SECURE GUAM RIGHTS STEMMED FROM AIR SIAM'S BID FOR "SOMEWHAT" UN-REALISTIC ROUTING BANGKOK-HONG KONG-TOKYO-GUAM." HE ADDED THAT, "PREDICTABLY U.S. AUTHORITIES DEILINED, AND BOTH AIRLINES ARE UNABLE TO FLY TO GUAM." AS FOR

SINGAPORE, RTG IN AUGUST DESIGNATED AIR SIAM FOR SERVICE TO SINGAPORE, BUT ONLY ON CONDITION THAT RTG COMMITTEE FIRST ASCERTAIN THAT AIR SIAM IS SUBSTANTIALLY OWNED AND CONTROLLED BY CITIZENS OF THAILAND (THIS INQUIRY IS CURRENTLY UNDERWAY). GOS WHICH, LIKE RTG, CONTROLS CAPACITY AS MATTER OF PRINCIPLE, SUBSEQUENTLY REQUESTED CONSULTATIONS, NOW SCHEEULEE FOR OCT. 16 IN SINGAPORE, PRESUMABLY TO DISCUSS EITHER (1) TAKING PROPOSED AIR SIAM FREQUENCIES OUT OF THAI INTER'S HIDE, OR (2) ADDITIONAL FREQUENCIES FOR AIR SINGAPORE AT BANGKOK.

3. IN TERMS OF U.S. AIRCRAFT MANUFACTURING AND LEASING INTERESTS, WE WOULD ADVISE THAT AI EXECUTIVES BE CONSULTED RE AI EXPERIENCE WITH AIR SIAM PRIOR TO UNDERTAKING NEW SALES OR LEASES TT AIR SIAM. AS REGARDS ROUTES, IT IS EVIDENT THAT THAI INTER CLIQUE IN RTL IS DETERMINED TO KEEP AIR SIAM OFF THAI INTER'S TURF TO EXTENT POSSIBLE;

SO WE CONSIDER IT LIKELY THAT RTG WILL SEEK NEW CONSULTATIONS WITH USG IF BRITISH SQUEEZE LARGE PERCENTAGE OF THAI FREQUENCIES OUT OF HONG KONG.

MASTERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, AIR FARES, AIR SCHEDULES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BANGKO21389
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750351-0112
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751067/aaaachtp.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BANGKOK 18838, 75 BANGKOK 13481, 75 BANGKOK 16025
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2003 by CunninFX>; APPROVED <18 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: ROUTE AND FARE ISSUES
TAGS: EAIR, TH, UK, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006